

JERRY B. EPSTEIN, Chairman  
ROBERT SHELTON, Vice Chairman  
MARY F. BERGLUND  
OCTAVIA DIENER  
JOSEPH A. DUFFEL  
EDWARD G. JORDAN  
ROBERT WOLF  
SENATOR QUENTIN L. KOPP, Ex Officer  
ASSMBLYMAN RICHARD KATZ Ex Officer

STATE OF CALIFORNIA

PETE WILSON  
GOVERNOR



ROBERT I. REMEN, Executive Director

## CALIFORNIA TRANSPORTATION COMMISSION

1120 N. STREET, P.O. BOX 942873  
SACRAMENTO 94273-2131  
FAX (916) 653-2131  
FAX (916) 654-4245

December 21, 1996

John Pimentel  
Business, Transportation and Housing Agency  
801 K Street, Suite 1918  
Sacramento, CA 95814

Dear John:

Thank you for the opportunity to comment on the CTI's Final Report. Some of my comments on the Draft never made it into print so I'm enclosing several at this time. I enjoyed working with my fellow Commissioners on the serious transportation challenges facing California.

Some specific comments;

1. The CTI Report does not address the fundamental issue of whether California is sustaining adequate investment in transportation infrastructure. The Final Report discussed many aspects of the transportation funding problem, yet it failed to recommend specifically the need for additional revenues for transportation in California indicated by evidence presented at the CTI meetings. These presentations indicated substantial unfunded operations, maintenance and rehabilitation needs in the State as well as a serious deficit of new capital investment. (For the past several years, the California Transportation Commission's Annual Report to the Legislature has documented this shortfall.) Addressing the adequacy of California's Investment in transportation infrastructure is a critical issue.

2. Endorsing "net present value" as a prioritization tool for state transportation projects might be premature, though it is appropriate to use some systematic method of economic evaluation. The aggregation in monetary values of both the cost and benefit streams estimated to flow from potential capital projects allows comparison of diverse investment projects, including differing time horizons and interest rates, only when these flows are discounted. This can be done using net present value, but one can also compare internal rates of return. The more generic term for project prioritization would be cost/benefit analysis (which is not the same as "cost effectiveness"). One objective of cost/benefit analysis is to maximize the net social gain for society per dollar of tax expenditure when comparing projects.

3. The "Social Equity" section might be more appropriately labeled, "Equity issues," of which social equity is an important subset. This section mentioned a number of other "equity" issues in addition to the social one. It was disappointing that the commission's discussion of "user-side subsidies" was not mentioned as a possible solution to the social equity problem in transportation, despite the fact that these subsidies were discussed at several meetings. One advantage of the "user-side subsidy" is that it can provide a more equitable treatment of those in need of transportation subsidies. Instead of forcing transit fares or highway and bridge tolls to a low level where everyone is subsidized at the expense of the economic viability of the transportation system, the user-side subsidy is administered by an existing social service agency (similar to food stamps) for those truly in need.

page 2 CTI report

4. The Multimodal section (F) should probably have the additional word "Intermodal" inserted in a number of places. The language is not precise. Transportation specialists use "multimodal" to designate a number of mode choices for a single trip--go by carpool, bus or train or plane, etc.. "Intermodal" is used to refer to a trip which has the modes integrated--take a car and the bus and the train to the final destination in a linked system. The State of California needs both a Multimodal and an Intermodal transportation system.

5. The discussions on pricing could have been expanded to be more specific about the inefficiencies of the transportation system which are generated by skewed price signals. The effect of these skewed price signals on social equity issues in transportation suggests pricing mechanisms can be made equitable.

Again, I enjoyed my participation on the Commission on Transportation Investment,

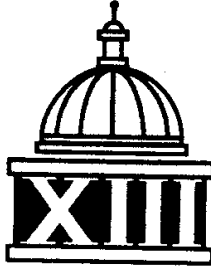
Sincerely,

ORIGINAL SIGNED BY

Mary Berglund, Ph.D.

Commissioner, California Transportation Commission

HOWARD JARVIS  
TAXPAYERS  
ASSOCIATION



HOWARD JARVIS, Founder (1903-1986)  
ESTELLE JARVIS, Honorary Chairman  
JOEL FOX, President  
TREVOR GRIMM, General Counsel  
JONATHAN M. COUPAL, Director of Legal Affairs

December 20, 1995

John Pimentel, Deputy Secretary  
Business, Transportation and Housing Agency  
801 K Street, Suite 1918  
Sacramento, CA 95814

Dear Mr. Pimentel:

I wish to put on record my opposition to the Commission "consensus" recommendation that local sales taxes for transportation purposes receive a majority vote instead of the required two-thirds vote.

While there may be majority support from the Commissioners for the majority vote provision, I don't believe there is a strong consensus.

During the course of the Commission on Transportation Investment examination of California's transportation system, the California Supreme Court ruled in the *Santa Clara Transportation Authority vs Gaurdino* case. This ruling affirmed Proposition 62's provision for a two-thirds vote for transportation special taxes.

If transportation and other agencies are granted the majority vote for local special taxes, the consequences will be disastrous both for government and for taxpayers. The two-thirds vote discourages earmarked taxes. Earmarking revenues serves to put budgets into concrete, and takes all discretionary power from elected officials. Sending a signal that certain budget interests can have a lower standard to raise taxes will spread to other agencies. Indeed, Senator Maddy's proposed measure to lower the two-thirds vote to majority for sales taxes to fund local transportation projects has already been rhetorically amended by Senator Lockyer, who proposes that a majority vote for local sales taxes be added for education and public safety. As I understand it, he plans to make this proposal when the new Legislative session begins.

Making it easier to raise taxes by a lower vote approval will eliminate the pressure needed to look for innovative changes in the delivery of services. In the case of transportation, for example, setbacks could occur to privatization and telecommuting innovations.

Mr. Pimentel  
December 20, 1995  
Page 2

Allowing lower vote requirements on sales taxes for specific purposes will usurp the purpose of this general revenue source. Making it easier to use sales taxes for transportation takes us further from the desired goal of promoting user fees for transportation.

Finally, the governmental finance system will be corrupted with only favored programs placed on the ballot for majority voter approval, while programs that don't have the favor of the public will remain in the shadows, funded from general fund sources.

While I believe, as I have written before, that the roads and highways are the veins and arteries that pump life into our economy and must be a top priority for citizens and government, I also believe the recommended change for special taxes offered by the Commission report is not beneficial to either the tax structure or the taxpayers of California.

Sincerely,

ORIGINAL SIGNED BY

Joel Fox  
Commissioner, Commission on Transportation Investment

December 20, 1995

Hon. Dean Dunphy  
Secretary of Business, Transportation and Housing  
1120 N. Street, Suite 2231  
Sacramento, CA 95814

Dear Dean:

What follows constitute my comments on the Final Report of the Commission on Transportation Investment. These are supplemental to prior submitted comments, dated November 1 (in association with Angelo Siracusa) and November 14.

I regret the necessity to write again, for I do support much of the CTI Final Report, especially what I interpret to be its general although not complete endorsement of a user fee-oriented approach to transportation infrastructure finance.

Several important changes, however, were made in the Final Report after the Commissioners' last meeting, apparently in response to the views of other Commissioners, toward which I feel compelled to offer comment. Two of these key changes I feel are appropriate.

First, I support devolution of the federal gasoline tax and the Federal Highway Trust Fund to the states. This recommendation is fully consistent with my earlier expressed support for moving the principal responsibility for planning and funding of transportation to the regional and local levels whenever possible.

Second, I support the CTI's response to the California Supreme Court's Guardino decision. The CTI would overturn Guardino by supporting simple majority votes only on local and regional fuel taxes or other direct user fees, as opposed to the more traditional retail sales taxes. A lesser majority for user fees as opposed to general taxes is justifiable. A special preference for transportation funding over funding for other governmental purposes is not.

On the other hand, I believe that the Final Report went in the wrong direction on three major issues. First, its listing of specific "Environmental Reform" proposed actions is neither supported by the text of the report nor by a careful investigation by the CTI of the merits of these "reforms". Environmental "red tape" may be a problem worth addressing, but the report, and especially its Findings and Recommendations, offer a much too one-dimensional answer to the questions that problem raises.

Second, the report continues to endorse the March 1996 highway bond measure, despite the active opposition to this measure at the last meeting of the Commission by a significant number of CTI commissioners. I oppose the bond measure principally because it obligates the general taxpayer in

*National Headquarters*

257 Park Avenue South  
New York, NY 10010  
(2 12) 505-2 100

1875 Connecticut Ave., N.W.  
Washington, DC 20009  
(202) 387-3500

1405 Arapahoe Ave.  
Boulder, CO 80302  
(303) 440-4901

128 East Hargett St.  
Raleigh, NC 27601  
(919) 821-7793

44 East Ave., Suite 304  
Austin, TX 78701  
(512) 478-5161

Hon. Dean Dunphy

Page 2

California to pay for highways in the state, rather than having road users pay for those highways. This goes exactly opposite to the overall thrust of the report and is bad transportation policy.

Finally, and especially troubling in light of the highway bond measure endorsement, is the new finding that State transportation program revenues should not be used to repay general obligation bond debt issued for purposes of transportation investment. This position is justified in the report by the non sequitu that "transportation revenue should be used for transportation purposes". Ironically, while the report is generally correct in advocating that "transportation revenue should be used for transportation purposes", it should also recognize that general tax revenues should not be used for transportation purposes. In recent years, transportation tax revenues have been used to repay general obligation bond debt incurred for transportation purposes. I applaud the Governor and Legislature for having pursued this policy and urge that it be continued in future years.

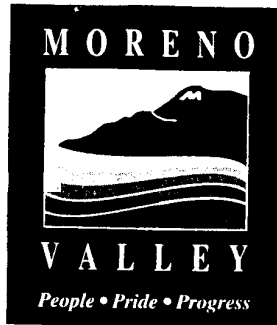
Thank you for offering to include this statement of views in the Final Report submitted for publication, along with the others already part of the CTI's record, and for all your and your staff's courtesies in this very interesting and I hope worthwhile enterprise.

Sincerely yours,

ORIGINAL SIGNED BY

Thomas J. Graff  
Senior Attorney

TG:pf



**City Manager's Office**

**City Hall**  
14177 Frederick Street  
P.O. Box 88005  
Moreno Valley, CA 92552-0805  
**Telephone: (909) 413-3000**  
**FAX: (909) 413-3750**

December 19, 1995

Via Fax (916) 323-5440

Mr. John Pimentel  
Deputy Secretary for the Business, Transportation,  
and Housing Agency  
State of California

Dear John:

I have reviewed the Commission's final report. I am especially concerned about the report's handling of the following two issues.

**Shifting Financing To User Fees**

In my opinion, the report does not place enough emphasis on the importance of moving (gradually, if need be) to a more user-fee based financing system. The final report seems to back off what I thought the Commission had come to consensus on, or at least general agreement. If there was a single, common, or repetitive theme of the presentations made to us and our own Commission's discussion, it certainly was the desirability of reconfiguring the transportation financing structure to better link the source of transportation revenues to the impact caused by the user. All of the data presented to us indicated that this would require reversing trends of the past 20-30 years and implementing a variety of user-based fees.

As was pointed out many times, it is not possible or prudent to project the State's transportation needs (as the report recommends) without first defining who will pay for it. The transportation demand will be different depending on whether a third-party taxpayer or a direct user will be paying. The report does not reflect this concept to the extent that it should and to the extent that there would appear to be overwhelming Commission support.

## **Fixed Line Transit Systems**

Secondly, the report seems to endorse the need for fixed line transportation systems. As I recall, the only presentations that we heard on fixed line systems (Dr. Roger Selbert and Dr. G. Roth) pointed out the ineffectiveness and costliness of fixed line investments. Comments made by individual Commission members frequently question the cost of benefits of fixed line systems and advocated alternative public transportation options.

Data presented to the Commission indicated major future financial impacts needed to replace and maintain existing fixed line equipment for which the federal government (which financed most of the initial construction and equipment costs) will not be available.

I would appreciate having these remarks included in the appendices of the final document.

Thanks very much for your assistance through the Commission process. I very much enjoyed serving on the Commission.

Sincerely,

ORIGINAL SIGNED BY

NORMAN R. KING  
City Manager

NRK: kr



December 20, 1995

Mr. John Pimentel, Deputy Secretary  
Business, Transportation and Housing Agency  
801 K Street, Suite 1918  
Sacramento, CA 95814

SUBJECT: CTI Final Report Comments

Dear Mr. Pimentel:

Thank you for the opportunity to provide some final comments regarding the Commission on Transportation Investment's Final Report dated December 1995. As Commissioners we certainly had a challenging mission and very busy schedule over these past six months. Given the wide diversity of agencies represented on the Commission it was a significant accomplishment that a general consensus could be reached on many difficult transportation policy areas. Hopefully the Commission's work will help in addressing the transportation problems and opportunities facing California. We all realize that we have some way to go.

Listed below are my comments regarding several of the major findings and recommendations contained in the Final Report:

- Need for Additional Revenue. The major shortcoming in the Final Report is the failure to address the need for additional transportation revenues. At the regional level, the need for additional transportation revenue is clear and has been well documented in Regional Transportation Plans. While the need for additional revenues is not as well defined at the state level, it is significant nonetheless. The Executive Summary states that the Commission was charged with setting a road map for the future of transportation in California. That road map cannot be established without specifically addressing what is considered to be the most significant transportation problem in California - the issue of additional transportation revenue. In order to meet the state's growing mobility needs and maintain a healthy economy the transportation funding issue must be resolved.
- Transportation Roles and Institutional Reform. Several report findings state that the roles and responsibilities of federal, state, regional, and local agencies are unclear, conflicting, confusing, overlapping and in need of substantial reform. This is an overstatement. In general, the transportation agency roles and responsibilities in California are well defined having evolved over the past twenty years. The strong partnership that exists between state,

regional, and local transportation agencies in California was considered a model in the development of ISTEA's transportation planning and project selection procedures. ISTEA clearly established a progressive movement towards increased responsibility and decisionmaking at the regional and local levels. That process has increased public involvement and brought more participants into the transportation planning and development process. The basic principles of local discretion and decisionmaking combined with program flexibility are the hallmarks of the redefined transportation agency roles and responsibilities in ISTEA. The ISTEA process is working and should be strengthened at the federal, state, and local levels.

- Supreme Court's "Guardino" Decision. Perhaps the most significant recommendation in the Final Report is support for a constitutional amendment to overturn the "Guardino" decision allowing a majority vote on local or "regional fuel taxes, or other direct user fees." Certainly a majority vote should be allowed on local transportation funding measures. A majority vote should apply to all local transportation measures including new or extended local transportation sales tax programs. Such programs at the regional level have become the major funding source for state highway, transit projects, and street improvements and their continuance is critical to California's infrastructure needs and economic viability.
- Rural Issues Consideration. One recommendation in the Final Draft is that operators of local transportation systems must be included in the planning process as equal partners with Caltrans, MPOs, and regional transportation agencies to insure rural issues receive full consideration. The recommendation itself is misleading. First, MPOs by definition primarily serve metropolitan regions with rural area concerns addressed by rural RTPA's and Caltrans. Secondly, to infer that operators of local transportation systems are not included in the MPO planning process is specifically incorrect. The MPO planning process is reviewed and certified at the regional, state, and federal levels to both ensure the inclusion of local transportation operators, and the consideration of rural issues when they are part of the MPO planning area. Finally, while this issue was raised by one member and discussed, there was no consensus position of the Commission for the stated recommendation.
- Economic Measures of Projects. A report recommendation is that a new procedure should be developed to evaluate and prioritize projects based on an economic cost-benefit measure (e.g. Net Present Value). ISTEA requires that 16 factors be considered in the metropolitan planning process some of which could be reflected in cost-benefit analysis. Such analysis is important. However, cost-benefit is only one of several factors that must be considered in project selection, with each area retaining flexibility to define the project selection process best suited for that area. The prominence of this (NPV) recommendation in the report, in my view, is overstated.
- Contracting Out Issue. The report recommendation supporting a constitutional amendment to allow more contracting out of project development work to the private sector, is essential. The expanded use of contracting out is a most cost-effective way to balance project development staffing needs with varying workloads. Nevertheless, a strong public agency capacity is critical to effectively manage such contracts. Contracting out has been successfully used and is strongly supported by California's Self-Help Counties.

It was a pleasure to work with the Commission, Secretary Dunphy and the staff, and I hope that the recommendations help in addressing California's transportation problems.

Sincerely,

ORIGINAL SIGNED BY

KENNETH E. SULZER  
Executive Director

KES/BT/ce